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NEW ORLEANS BUILDING CORPORATION

FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-4-07

New Orleans Building Corporation

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CURTIS A. MORET
CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

To the Board of Directors
of New Orleans Building Corporation
New Orleans, Louisiana

We have audited the fund financial statements of New Orleans Building Corporation, as of and for the year ended December 31, 2005 as listed in the table of contents. The fund financial statements are the responsibility of New Orleans Building Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

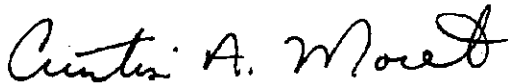
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the fund financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of New Orleans Building Corporation as of December 31, 2005, and the changes in financial position of those activities and fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2006, on our consideration of New Orleans Building Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 15, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the fund financial statements of New Orleans Building Corporation taken as a whole. The supplementary information shown at page 15 is presented for purposes of additional analysis and is not a required part of the financial statements of New Orleans Building Corporation. Such information has been subjected to the auditing procedures applied in the audit of the fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the fund financial statements taken as a whole.



Curtis A. Moret
Certified Public Accountant
December 28, 2006



New Orleans Building Corporation (NOBC)
Management's Discussion and Analysis

Introduction to Financial Statements

The NOBC is considered a governmental not-for-profit entity. Under GASB 34, the NOBC is permitted to report its activities as a special-purpose government entity engaged only in business type activities. Therefore, the NOBC's financial statements consist of those required for enterprise funds.

Enterprise funds are used by governmental entities to report the same functions as business-type activities in the private sector. The financial reporting required for enterprise funds are: statement of net assets, statement of revenues, expenses and changes in net assets and statement of cash flows. These statements, presented on pages 6 through 9, show the results of operations and financial position using the total economic resources measurement focus and the accrual basis of accounting, which emphasize the long-term financial picture and are very similar to the financial statements of private-sector for-profit enterprises.

Comparative Financial Statements

The following chart provides condensed information from the statement of net assets for 2005 and 2004.

Statement of Net Assets Comparative Data

	2005	2004
Current and Other Assets	8,334,356	\$ 8,397,370
Capital Assets, Net	6,759,974	6,367,853
Total Assets	15,094,330	14,765,223
Long Term Liabilities	944,119	944,119
Other Liabilities	377,166	249,083
Total Liabilities	1,321,285	1,193,202
Net Assets:		
Invested in Capital Assets	6,759,974	6,367,853
Restricted	6,426,617	6,924,450
Unrestricted	586,454	279,718
Total Net Assets	\$13,773,045	\$13,572,021

The largest portion of the NOBC's net assets (96%) at December 31, 2005 consists of its investments in capital assets (Land, Building, Equipment & Improvements) and restricted cash and other assets relating to its operation of the New Orleans Union Passenger Terminal (NOUPT) (see Note 1 at Page 11). Overall, the NOBC's net assets increased by \$201,024 from the previous year.

New Orleans Building Corporation (NOBC)
Management's Discussion and Analysis

Statement of Net Assets Comparative Data, continued

The following chart provides condensed information from the statement of revenues, expenses and changes in net assets for 2005 and 2004:

Statement of Revenues, Expenses and Changes in Net Assets Comparative Data

	<u>2005</u>	<u>2004</u>
Revenues:		
Program	1,660,835	\$ 2,183,392
General	417,865	323,672
Total Revenues	<u>2,078,700</u>	<u>2,507,064</u>
Expenses:		
NOUPT	1,719,914	2,666,836
Lincoln Beach	44,602	78,094
Administration	113,160	128,026
Total Expenses	<u>1,877,676</u>	<u>2,872,956</u>
Change in Net Assets	201,024	(365,892)
Net Assets – January 1	<u>13,572,021</u>	<u>13,937,913</u>
Net Assets – December 31	<u>\$13,773,045</u>	<u>\$13,572,021</u>

Total revenues decreased from the previous year by \$428,364. Program revenues decreased by 24% due to an adjustment to the lease terms of its major tenant, the National Railroad Passenger Corporation-Amtrak, and the loss of tenant rent and related charges caused by Hurricane Katrina. General revenues experienced a 29% increase from the previous year due primarily to an increase in net investment income. Total expenses decreased from the previous year by \$995,280. The major components of this decrease are as follows:

- Contractual expenses decreased by \$136,922 due primarily to a decrease in spending for professional services at the NOUPT.
- Repairs and maintenance costs decreased by \$238,640. A significant amount of repairs was done at the NOUPT in prior years. Therefore, the 2005 expenditure reflects mostly routine maintenance.
- Environmental clean-up expenses decreased dramatically in 2005. This was due to 1) a significant amount was expended in 2004 for environmental clean-up and 2) the NOUPT facility received a substantial reimbursement in 2005 from its insurance carrier for environmental clean-up expenses. The result was a \$476,839 decrease compared to the prior year.

New Orleans Building Corporation (NOBC)
Management's Discussion and Analysis

Budgetary Analysis

The NOBC's 2005 budget reported on page 15 reflects an overall favorable variance of \$201,024. The NOBC anticipated substantial activity with respect to rental projects that did not materialize in 2005. The net rental income budgeted for 2005 as compared to actual resulted in an unfavorable variance of \$3,992,346. However, because these rental projects did not materialize, the NOBC did not incur the associated costs and expenses resulting in an overall favorable expense variance of \$4,194,379.

Capital Assets

The NOBC reported capital assets at 2005 and 2004 are as follows:

	2005	2004
Land	2,946,586	2,946,586
Building & Equipment	2,868,560	2,930,037
Building Improvements	944,828	491,230
Totals	6,759,974	6,367,853

The NOBC's capital assets presented above are net of accumulated depreciation. Total net capital assets increased by \$392,121 from the prior year. The NOBC spent \$471,951 on major renovations at the NOUPT facility.

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NEW ORLEANS BUILDING CORPORATION
STATEMENT OF NET ASSETS PROPRIETARY FUNDS
DECEMBER 31, 2005

	Enterprise Funds			
	New Orleans Union Passenger Terminal	Lincoln Beach Restoration	General Administration	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 328,524	\$ 59,310	\$ 192,973	\$ 580,807
Receivables, Net	241,323	67,120	15,002	323,445
Prepaid Insurance	112,921	-	-	112,921
Total Current Assets	<u>682,768</u>	<u>126,430</u>	<u>207,975</u>	<u>1,017,173</u>
Noncurrent assets:				
Restricted Cash and Cash				
Equivalents	4,416,363	-	-	4,416,363
Prepaid Environmental Insurance	2,010,254	-	-	2,010,254
Developmental Costs	2,054	-	888,512	890,566
Capital Assets:				
Land	2,946,586	-	-	2,946,586
Building & Equipment	19,056,612	-	44,881	19,101,493
Building Improvements	970,115	-	-	970,115
Less Accumulated Depreciation	(16,221,101)	-	(37,119)	(16,258,220)
Total Noncurrent Assets	<u>13,180,883</u>	<u>-</u>	<u>896,274</u>	<u>14,077,157</u>
Total Assets	<u>13,863,651</u>	<u>126,430</u>	<u>1,104,249</u>	<u>15,094,330</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	147,799	-	124,813	272,612
Accrued Liabilities	104,554	-	-	104,554
Total Current Liabilities	<u>252,353</u>	<u>-</u>	<u>124,813</u>	<u>377,166</u>
Noncurrent Liabilities:				
Developmental Costs Payable	-	-	803,485	803,485
Accounts Payable	140,634	-	-	140,634
Total Noncurrent Liabilities	<u>140,634</u>	<u>-</u>	<u>803,485</u>	<u>944,119</u>
Total Liabilities	<u>392,987</u>	<u>-</u>	<u>928,298</u>	<u>1,321,285</u>
NET ASSETS				
Invested in Capital Assets	6,752,212	-	7,762	6,759,974
Restricted	6,426,617	-	-	6,426,617
Unrestricted	291,835	126,430	168,189	586,454
Total Net Assets	<u>\$ 13,470,664</u>	<u>\$ 126,430</u>	<u>\$ 175,951</u>	<u>\$ 13,773,045</u>

The accompanying notes are an integral part of the financial statements.

NEW ORLEANS BUILDING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Enterprise Funds			
	New Orleans Union Passenger Terminal	Lincoln Beach Restoration	General Administration	Total
OPERATING REVENUES				
Charges for Services	\$ -	\$ -	\$ 19,166	\$ 19,166
Rent-Tenants	1,641,669	-	-	1,641,669
Settlement Revenue-Entergy	-	-	200,000	200,000
Miscellaneous	84,163	-	41,369	125,532
Total Operating Revenues	1,725,832	-	260,535	1,986,367
OPERATING EXPENSES				
Contractual Services	656,879	40,702	96,662	794,243
Repairs & Maintenance	296,950	3,615	-	300,565
Commission	12,003	-	-	12,003
Insurance	626,045	-	-	626,045
Utilities	199,650	-	-	199,650
Revenue Sharing	45,387	-	-	45,387
Office Supplies and Expenses	15,732	285	8,552	24,569
Environmental Clean-up	(237,639)	-	-	(237,639)
Depreciation	71,884	-	7,946	79,830
Retirement Benefits	33,023	-	-	33,023
Total Operating Expenses	1,719,914	44,602	113,160	1,877,676
Operating Income (Loss)	5,918	(44,602)	147,375	108,691
NONOPERATING REVENUES				
Net Investment Income	86,596	-	5,737	92,333
Change in Net Assets	92,514	(44,602)	153,112	201,024
Total Net Assets - Beginning	13,378,150	171,032	22,839	13,572,021
Total Net Assets - Ending	\$ 13,470,664	\$ 126,430	\$ 175,951	\$ 13,773,045

The accompanying notes are an integral part of the financial statements.

NEW ORLEANS BUILDING CORPORATION
STATEMENT OF CASH FLOWS PROPRIETARY FUNDS
FOR THE YEAR END DECEMBER 31, 2005

	Enterprise Funds			
	New Orleans Union Passenger Terminal	Lincoln Beach Restoration	General Administration	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ -	\$ 10,323	\$ 12,497	\$ 22,820
Rents Received	1,676,312	-	-	1,676,312
Payments to Suppliers	(1,265,962)	(44,602)	(98,727)	(1,409,291)
Other Receipts (Payments)	43,255	-	247,692	290,947
Net Cash Provided (Used) by Operating Activities	453,605	(34,279)	161,462	580,788
CASH FLOWS FROM CAPITAL ACTIVITIES				
Capital Improvements	(471,951)	-	-	(471,951)
Net Cash Used by Capital Activities	(471,951)	-	-	(471,951)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income	86,596	-	5,737	92,333
Net Cash Provided by Financing Activities	86,596	-	5,737	92,333
Net Increase (Decrease) in Cash and Cash Equivalents	68,250	(34,279)	167,199	201,170
Cash - Beginning of Year	4,676,637	93,589	25,774	4,796,000
Cash - End of Year	4,744,887	59,310	192,973	4,997,170
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	5,918	(44,602)	147,375	108,691
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	71,884	-	7,946	79,830

The accompanying notes are an integral part of the financial statements.

NEW ORLEANS BUILDING CORPORATION
STATEMENT OF CASH FLOWS PROPRIETARY FUNDS
FOR THE YEAR END DECEMBER 31, 2005

	Enterprise Funds			
	New Orleans	Lincoln Beach	General	Total
	Union Passenger Terminal	Restoration	Administration	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES, CONTINUED:				
Change in Assets and Liabilities:				
Receivables	39,122	10,323	(346)	49,099
Prepaid Expenses	215,085	-	-	215,085
Accounts Payable	147,799	-	6,487	154,286
Accrued Expenses	(26,203)	-	-	(26,203)
Net Cash Provided (Used) by Operating Activities	<u>453,605</u>	<u>(34,279)</u>	<u>161,462</u>	<u>580,788</u>

The accompanying notes are an integral part of the financial statements.

New Orleans Building Corporation
Notes to Financial Statements

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New Orleans Building Corporation
Notes to the Financial Statements

Note 1- Summary of Significant Accounting Policies:

Background

The New Orleans Building Corporation (NOBC) is a non-profit, public benefit corporation, incorporated in the state of Louisiana on May 4, 2000. The Corporation was formed for the purpose of owning, leasing, developing and operating properties owned by the City of New Orleans or by the Corporation. These purposes include, but are not limited to planning, renovating, constructing, leasing, subleasing, managing and promoting such properties, which activity is declared to constitute a public purpose.

On May 25, 2002, the New Orleans Building Corporation assumed control of the New Orleans Union Passenger Terminal (NOUPT) located in downtown New Orleans. The NOUPT was created by the State of Louisiana to enable the City of New Orleans to form a unique partnership with private railroads to finance, build and operate the facility. The City acquired the sixty-acre downtown site and transferred use of it to the NOUPT until 2005 with an option to extend for another 50 years. With this arrangement in place, the railroads provided revenue bond financing for construction of a \$21-million terminal and support facility on the downtown site. The NOUPT began service in 1954, consolidating 30 weekly train arrivals and departures at five, widely scattered stations into the new downtown terminal. The City also granted the NOUPT the use of six miles of grade separated right-of way created by city, state, federal and private railroad funding, in excess of \$19 million, to eliminate time consuming and hazardous grade-crossings over the tracks servicing the NOUPT. In 1977, the City and private railroads transferred passenger rail operating responsibility of the NOUPT to the National Railroad Passenger Corporation-Amtrak. The City continued other aspects of its partnership agreement with the private railroads constituting the NOUPT prior to Amtrak's assumption of national passenger service from these railroads in the 1970's. The result was a unique governing body for the NOUPT consisting of a committee composed of representatives of the City, Public Belt Railroad Commission, Amtrak and several railroads.

The accounting policies of the NOBC conform to accounting principles generally accepted in the United States of America, as applicable to governmental agencies. The following is a summary of the more significant accounting policies:

The Financial Reporting Entity

Governmental Accounting Standard's Board Statement No. 14, The Financial Reporting Entity, (GASB 14) established standards for defining and reporting

New Orleans Building Corporation
Notes to the Financial Statements

Note 1- Summary of Significant Accounting Policies, continued:

The Financial Reporting Entity, continued

on the financial entity. Accordingly, management has concluded that the NOBC is the financial reporting entity within the meaning of the provisions of GASB 14.

Basic Financial Statements – Fund Financial Statements

The financial statements of the NOBC are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenses. All of the activities of the NOBC are reported as proprietary funds.

The focus of proprietary fund measurement is upon determination of operating income, change in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the NOBC.:

- a. Enterprise funds are required to be used to account for operating for which a fee is charged to external users for goods and services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focal applied.

The proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

New Orleans Building Corporation
Notes to the Financial Statements

Note 1- Summary of Significant Accounting Policies, continued:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Note 2- Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposit accounts as well as short-term cash investments with maturities of three months or less.

Restricted cash and cash equivalents presented in the Statement of Net Assets is restricted solely for the use of environmental clean-up and related facility maintenance at the New Orleans Union Passenger Terminal located in downtown New Orleans. These funds were placed in trust when the NOBC assumed control of the facility on May 22, 2002.

Note 3- Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-40 Years
Building Improvements	20-40 Years
Equipment	7-10 Years

The following is a summary of capital assets for the year ended December 31, 2005:

New Orleans Building Corporation
Notes to the Financial Statements

Note 3- Capital Assets, continued

	Balance January 1, 2005	Additions	Changes	Balance December 31, 2005
Land	\$2,946,586	-	-	\$2,946,586
Building & Equipment	19,046,612	-	-	19,046,612
Building Improvements	498,164	471,951	-	970,115
Office Equipment	54,881	-	-	54,881
Sub-total	22,546,243	471,951	-	23,018,194
Less Accumulated Depreciation	(16,178,390)	(79,830)	-	(16,258,220)
Net	<u>\$6,367,853</u>	<u>392,121</u>	<u>-</u>	<u>\$6,759,974</u>

An analysis of changes in accumulated depreciation by asset classification for the year ended December 31, 2005 is as follows:

	Balance January 1, 2005	Addition	Balance December 31, 2005
Building & Equipment	\$16,138,712	52,102	\$16,190,814
Building Improvements	6,934	18,353	25,287
Office Equipment	32,744	9,375	42,119
	<u>16,178,390</u>	<u>79,830</u>	<u>16,258,220</u>

Note 4- Operating Leases

The NOBC leases certain office equipment under a five year operating lease. Lease expense for the year ended December 31, 2005 was \$4,231.

Future lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2006	1,795

NEW ORLEANS BUILDING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES - BUDGET
AND ACTUAL GENERAL FUND
YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Charges for Services	17,708	17,708	19,166	1,458
Rents	5,634,015	5,634,015	1,641,669	(3,992,346)
Other	1,000	1,000	92,333	91,333
Interest	114,239	114,239	325,532	211,293
Total Revenues	<u>5,766,962</u>	<u>5,766,962</u>	<u>2,078,700</u>	<u>(3,688,262)</u>
				-
<u>Expenses</u>				
Contractual Services	3,704,570	3,704,570	794,243	2,910,327
Repairs & Maintenance	576,102	576,102	300,565	275,537
Commission	-	-	12,003	(12,003)
Insurance	300,765	300,765	626,045	(325,280)
Utilities	270,595	270,595	199,650	70,945
Revenue Sharing	20,835	20,835	45,387	(24,552)
Office Supplies & Expenses	52,880	52,880	24,569	28,311
Environmental Clean-up	37,500	37,500	(237,639)	275,139
Depreciation	6,635	6,635	79,830	(73,195)
Retirement Benefits	-	-	33,023	(33,023)
Capital Projects	1,077,523	1,077,523	-	1,077,523
Other	24,650	24,650	-	24,650
Total Expenses	<u>6,072,055</u>	<u>6,072,055</u>	<u>1,877,676</u>	<u>4,194,379</u>
Excess (deficiency) of				
Revenues over (under)				
Expenditures	(305,093)	(305,093)	201,024	506,117
Fund Balance - Beginning	<u>13,471,273</u>	<u>13,471,273</u>	<u>13,400,989</u>	<u>-</u>
Fund Balance - Ending	<u><u>13,166,180</u></u>	<u><u>13,166,180</u></u>	<u><u>13,602,013</u></u>	<u><u>506,117</u></u>

Schedule 1



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**Independent Auditor's Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Directors
of New Orleans Building Corporation
New Orleans, Louisiana

We have audited the fund financial statements of New Orleans Building Corporation as of and for the year ended December 31, 2005, which collectively comprise the New Orleans Building Corporation's basic financial statements and have issued our report dated December 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Orleans Building Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be a material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Orleans Building Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Curtis A. Moret

Curtis A. Moret
Certified Public Accountant
December 28, 2006

